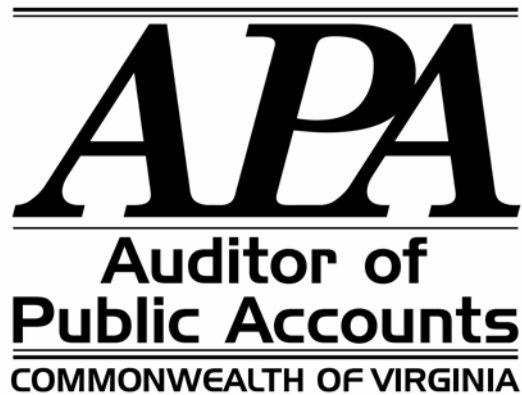


**DEPARTMENT OF SOCIAL SERVICES**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2004**



## **AUDIT SUMMARY**

Our audit of the Department of Social Services for the year ended June 30, 2004, found:

- amounts reported in the Commonwealth Accounting and Reporting System and the Department's accounting records were fairly stated;
- a material weakness and other matters in internal controls that we consider reportable conditions;
- instances of noncompliance that are required to be reported under Government Auditing Standards; and
- adequate corrective action of prior year audit findings.

### **Properly Manage and Maintain Access to Information Systems**

The Department provides central statewide oversight for policies and procedures to the 120 locally-operated social service agencies. In support of the locally-operated social service agencies, the Department has a number of central systems for determining and providing benefits. These central systems operate in diverse environments and include everything from mainframe applications to web-enabled systems.

Both the Department's oversight of the local social service agencies and the fragmented approach to system development has created some significant security issues over access to the systems and their data. Currently, the Department controls access to its systems at two levels. The Department's Information Security Unit creates, changes, and deletes access for some of the Department's systems, and other individual divisions have their own security officers. Management of each local social service agency determines what systems and level of access individual employees should have to the Department's systems. This level of access determines what functions an individual can perform when they get into the system. Controlling access is the equivalent of determining who has access to the cash drawer or the safe.

We recognize that the cost of addressing these issues could be cost prohibitive and that an ideal solution should come from the Department's overall strategy to replace its systems. However, there are clearly some actions that the Department could undertake in the interim to strengthen controls and provide the groundwork for the long term solution.

We believe that the Department could begin developing a personal computer based database of employees and their access. The essential information for this database could come from the data provided us in conducting our review. The Security Unit could use the access form as a data entry tool to update the database. Over time, the Security Unit could also use the database to review and verify access.

The report includes other audit findings.

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## AGENCY OVERVIEW

The Department of Social Services (the Department) administers over 40 programs that provide benefits and services to low-income families. Both the state and local governments share in the administration of social service programs. The Department is comprised of a Central Office, five regional offices, and 120 locally-operated social service offices. Below is a description of the responsibilities of each office.

- Central Office has primary responsibility for the proper administration of all federal and state-supported social service programs. Central Office establishes policies and procedures that ensure adherence to federal and state requirements. Local offices implement these policies and regional offices enforce the policies. In addition, Central Office administers “benefit” programs such as Temporary Assistance for Needy Families (TANF), Food Stamps, Energy Assistance, and the Child Support Enforcement program. There are 21 child support enforcement district offices across the state.
- Regional offices perform program-monitoring functions. They provide technical assistance to local offices and serve as a liaison between the central and local offices.
- Local social service offices deal directly with the consumers. They perform a variety of functions including eligibility determination and administering “service” programs such as Foster Care, Child/Adult Daycare, Adoption, and Child/Adult Protective Services. Local offices also provide information to consumers transitioning from dependency to independence.

## FINANCIAL INFORMATION

The schedules below summarize the Department’s budgeted revenues and expenses compared with actual results for the fiscal year ended June 30, 2004.

Table 1

### Analysis of Budgeted and Actual Revenue by Funding Source

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>
General fund appropriations	\$ 276,934,240	\$ 278,619,564	\$ 278,619,564
Special revenue funds	588,052,280	594,919,583	549,764,794
Federal grants	<u>624,939,444</u>	<u>717,775,957</u>	<u>642,320,494</u>
Total resources	<u>\$1,489,925,964</u>	<u>\$1,591,315,104</u>	<u>\$1,470,704,852</u>

The Department’s adjustment in special revenue funds shows the disaster recovery funds received during Fiscal 2004. Actual special revenue funds received fell short of the adjusted budget primarily due to child support collections not meeting original projections.

Table 2

Analysis of Budgeted and Actual Expenses by Program

Program	Program Expenses			Actual Expenses by Fund		
	Original Budget	Adjusted Budget	Actual	General Fund	Special Revenues	Federal Grants
Administrative and support services	\$ 50,998,746	\$ 48,941,902	\$ 43,639,328	\$ 20,156,335	\$ 282,759	\$ 23,200,234
State administration for standards of living services	60,824,258	51,729,095	48,993,914	13,751,860	-	35,242,054
Temporary income supplement services	135,697,676	187,267,101	181,969,587	50,728,368	6,649,182	124,592,037
Protective services	123,477,298	125,364,748	124,380,046	60,264,137	501,632	63,614,277
Financial assistance to local welfare/social service boards for administration of benefit programs	140,719,575	155,433,907	150,779,081	46,501,837	2,165,768	102,111,476
Continuing income assistance services	21,098,755	19,354,755	19,349,985	19,349,985	-	-
Employment assistance services	63,072,684	65,913,787	64,537,163	27,804,890	-	36,732,273
Child support enforcement services	632,306,589	635,906,589	599,194,674	-	546,779,254	52,415,420
Financial assistance for individual and family services	250,060,024	288,882,860	283,728,896	39,268,866	-	244,460,030
Regulation of public facilities and services	<u>11,670,359</u>	<u>12,520,359</u>	<u>10,617,723</u>	<u>786,529</u>	<u>549,845</u>	<u>9,281,349</u>
Total expenses	<u>\$1,489,925,964</u>	<u>\$1,591,315,103</u>	<u>\$1,527,190,397</u>	<u>\$278,612,807</u>	<u>\$556,928,440</u>	<u>\$691,649,150</u>

As with all state agencies, the Department has undergone recent budget reductions in its general fund appropriations. Reductions for Fiscal 2004 were \$13,294,794 in general funds and \$82,039 in non-general funds. The Department addressed these reductions by eliminating 20 positions, replacing 75 information services contractors with state classified employees at a lower cost, renegotiating their Electronic Benefits Transfer (EBT) contract at a lower cost, and reducing local social service agencies' general fund support by three percent in Fiscal 2004.

Furthermore, the Department saved costs by reducing general fund support for the Division of Child Support Enforcement (DCSE) by 16.5 percent. An increase in federal incentive revenue offset the reduction in general fund support for DCSE.

The Department also reduced general fund support for Community Action Agencies by substituting federal Temporary Assistance for Needy Families (TANF) funds. Community Action Agencies support welfare reform efforts by operating self-help programs for individuals.

To achieve further savings, the Department substituted TANF funds for general funds support for the Healthy Families and Hampton Healthy Start projects. It also substituted pre-kindergarten expenses as a match for \$3.4 million in general funds for the child care program in Fiscal 2004.

The table below summarizes the Department's expenses by fund and type for the fiscal year ended June 30, 2004.

Table 3

<u>Expenses by Program and Type</u>						
<u>Program</u>	<u>Personal Services</u>	<u>Contractual Services</u>	<u>Supplies and Materials</u>	<u>Transfer Payments*</u>	<u>Rent and Other Continuous Charges**</u>	<u>Equipment</u>
Administrative and support services	\$17,962,891	\$19,422,726	\$ 846,072	\$ 903,584	\$1,880,079	\$2,623,976
State administration for standards of living services	10,753,812	11,853,123	176,961	24,845,267	1,214,047	150,704
Temporary income supplement services	115,420	1,253,839	1,174	180,581,523	11,540	6,091
Protective services	1,400,578	314,202	77,112	122,495,915	60,038	32,201
Financial assistance to local welfare/social service boards for administration of benefit programs	-	12,365,916	-	138,413,165	-	-
Continuing income assistance services	-	-	-	19,349,985	-	-
Employment assistance services	-	3,685	1,914	64,531,557	7	-
Child support enforcement services	41,891,282	27,423,385	514,576	523,209,277	4,540,001	1,616,153
Financial assistance for individual and family services	2,111,423	1,052,679	155,486	280,357,160	27,943	24,205
Regulation of public facilities and services	<u>8,252,714</u>	<u>1,276,177</u>	<u>55,287</u>	<u>265,756</u>	<u>745,065</u>	<u>22,724</u>
Total expenses	<u>\$82,488,120</u>	<u>\$74,965,732</u>	<u>\$1,828,582</u>	<u>\$1,354,953,189</u>	<u>\$8,478,720</u>	<u>\$4,476,054</u>

\* Includes payments to local governments, individuals, nongovernmental and intergovernmental organizations, and community service agencies

\*\* Includes payments for building rentals, building capital leases, and equipment rentals

## **INFORMATION TECHNOLOGY INITIATIVES**

The Department is in the process of planning a major information technology initiative to replace or modify all of its existing systems. The following sections discuss the processes associated with this initiative.

### **Integrated Social Services Delivery System (ISSDS)**

#### Overview

The Department currently has more than 50 systems that operate on diverse platforms. Support for the Unisys 802 platform, which ADAPT currently operates on, will be obsolete in the next five years. Therefore, the Department must replace the platform or find alternative and typically costly support to maintain the system. As discussed below, the Department is making efforts to replace the system.

During Fiscal 2004, the Department asked the Virginia Information Technology Investment Board for approval to begin planning an integrated social services system. The project is to include modernization or replacement of all applications, as well as development of new applications. The main objectives of this project include a simplified sign-on to all systems, improved customer searches and sharing of customer information, a master customer identification number, and connectivity of all major systems. Based on similar projects in other states, the Department estimates the cost will be approximately \$128 million.

#### Business-Process Reengineering (BPR)

Before finalizing the plans for the ISSDS, the Department plans to conduct a business-process reengineering project (BPR) and is currently selecting a vendor for this project. The BPR will look at eligibility determination, case management, payment, and other functions of state and federal programs administered by the Department and assign new data and workflow models to each process. The BPR will include Food Stamps, the TANF cash assistance program, General Relief, Medical Services eligibility including Medicaid and Family Access to Medical Insurance Security (FAMIS), the Energy Assistance Program, Foster Care, Repatriation, Child Care and Development, Adoption, Adult Services, Child Family Services, Child Protective Services, and auxiliary grants.

#### Public-Private Education Facilities and Infrastructure Act (PPEA) Proposals

In 2002, the General Assembly passed PPEA to allow agencies to form partnerships with entities in the private sector. Under this act, the private sector can submit unsolicited proposals that serve the public interest to any agency. The Department received one PPEA proposal for the ISSDS project and expects to receive at least three more by February 11, 2005. Beginning in February 2005, a review team made up of Central Office and local department staff, Strategic Goal 3 Steering Committee members, and Virginia Information Technologies Agency (VITA) personnel will review and evaluate all proposals. The current proposal is from CGI AMS and includes several objectives. The main objective of the proposal is to consolidate and replace existing systems and create a new eligibility system.

## **DISASTER FOOD STAMPS**

As a result of the Hurricane Isabel disaster in September 2003, local social services offices in the disaster area could apply to operate a Disaster Food Stamp Program. This program provided aid to households with a disaster-related expense or loss of income.

A number of Department and local social services' employees allegedly submitted falsified information on Hurricane Isabel disaster food stamp applications. As a result of investigations, 26 Department employees had their cases referred to the Commonwealth's Attorney and the Department administratively handled 18 cases by an

administrative disqualification hearing. One individual completed a waiver of the hearing and repaid the disaster food stamp amount. Two cases are still pending court decisions and three are pending administrative disqualification hearing decisions. Overall, there have been 13 terminations and 21 convictions of Department employees. In addition, local agencies conducted reviews of 756 local agency employee cases, which are in the process of resolution.



## **INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS**

### **Properly Manage and Maintain Access to Information Systems**

The Department provides central statewide oversight for policies and procedures to the 120 locally-operated social service agencies. In support of the locally-operated social service agencies, the Department has a number of central systems for determining and providing benefits. These central systems operate in diverse environments and include everything from mainframe applications to web-enabled systems.

The Department's systems development efforts in the past have responded primarily to individual programs needs. While there have been some attempts for multiple programs to have one system, (i.e., ADAPT), this has not historically been the approach.

Both the Department's oversight of the local social service agencies and the fragmented approach to system development has created some significant security issues over access to the systems and their data. Currently, the Department controls access to its systems at two levels. The Department's Information Security Unit creates, changes, and deletes access for some of the Department's systems, and other individual divisions have their own security officers. Management of each local social service agency determines what systems and level of access individual employees should have to the Department's systems. This level of access determines what functions an individual can perform when they get into the system. Controlling access is the equivalent of determining who has access to the cash drawer or the safe.

As an example of inappropriate access in one system, a Central office part time employee had the ability to create vendors and recipients, as well as authorize payments. This employee used this access and capability to issue herself unauthorized checks.

The Department has no automated centralized records of who has access to systems and at what level. This lack of information hinders their ability to safeguard the Department's assets, as was the case with the investigation regarding employees who had improperly applied for emergency food stamps.

Additionally, the Department does not have adequate policies regarding computer system accesses with local social service agencies. Many of these agencies also had individuals who improperly applied for emergency food stamps and had access to the Department's systems. Until receiving notification of system access concerns from the local agency, the Central Office staff does not involve itself with these matters.

As indicated above, the Department's access involves both the Central Office Security Unit and the individual social service agencies. While the Central Office Security Unit maintains a paper record of staff access rights, it does not have a centralized automated record that allows them to electronically review an individual's system access.

Over time, an employee's responsibilities typically change, thereby increasing access to and functionality within the system. In many cases, no one evaluates their overall level of access, and as a result, it is possible for someone like the previously mentioned part time employee, to extract funds from the system. Neither the local social service agency security officer nor the Central Office staff have the tools to examine all the access granted to an individual over time and their capabilities.

Below is a partial list of the issues with the current process.

- The Department does not maintain readily available and accurate centralized listings of who has access to their systems.
- The current procedures are inadequate for controlling user access at the local divisions. The central office needs to have adequate assurance that system access privileges are proper and delete unnecessary user access in a timely manner.
- The Department does not receive notice when a local employee, P-14, or contract employee terminates, resigns, or dies. With no listing of former employees, the Information Security Unit cannot delete an individual's system access timely. We found ten instances where terminated employees did not have their access to systems removed in a timely manner.
- The Department's Information Security Unit does not receive notification when an employee's duties change. If an employee changes positions and remains under the same security officer, the security officer can grant them additional system access without deletion of previous systems access capabilities. This may allow a user to have multiple system access not needed under their current job responsibilities.
- The Department lacks formal procedures for notifying the CARS Security Officer of position transfers and cannot provide adequate documentation that the agency reviews CARS access every six months as required by Commonwealth standards.

We recognize that the cost of addressing these issues could be cost prohibitive and that an ideal solution should come from the Department's overall strategy to replace its systems. However, there are clearly some actions that the Department could undertake in the interim to strengthen controls and provide the groundwork for the long term solution.

We believe that the Department could begin developing a personal computer based database of employees and their access. The essential information for this database could come from the data provided us in conducting our review. The Security Unit could use the access form as a data entry tool to update the database. Over time, the Security Unit could also use the database to review and verify access.

The Security Unit could also use this database to conduct periodic reviews such as having local security officers confirm individual access and coupled with the payroll records check employee status. Working with internal audit, the divisions, and local offices, the security team could conduct verification of access.

While this approach does not provide the ideal solution to the problem, it does begin to address the access issue. The current situation is a material weakness in internal control.

#### Properly Plan Systems Development Projects

The Department has been planning an Integrated Social Service Delivery System (ISSDS) and recently received a Public-Private Education Facilities and Infrastructure Act (PPEA) proposal. Although the Department has both a business plan and information technology strategy plan, it is not linking these processes together with this system effort. Considering that the Department estimates that the ISSDS will cost at least \$128 million, this lack of planning draws into question how the Department will evaluate this PPEA and any other proposals.

While we understand that the Department's systems are old and probably require replacement, having a common vision and understanding of the needs is essential for project management of an undertaking this size.

We understand that several local government social service agencies have expressed concerns about the scope of the project, and have concerns about the Department's history of unsuccessful system implementation. Considering the local social service agencies constitute the largest users of any system, we believe that they should participate in this process and help with the planning.

The delivery of social service programs has changed in the Commonwealth over the last decade and these changes have shifted some responsibilities between the Central Office and the local agencies. These changes have placed different needs and approaches to having information to effectively monitor the programs. The plan submitted to Virginia Information Technologies Agency does not indicate that these changes were given adequate consideration.

Effective system implementation requires a clear vision of where the Department is going and how it will get there. Beginning a major project that does not involve all parties limits the chance of success. Considering the Department's history of system implementation, we recommend that they complete and link both its business plan and information technology strategy plan and involve as many stakeholders as reasonably possible.

#### Improve Voucher Documentation and Follow Department Policies and Procedures

The Financial Accounting and Analysis System (FAAS), the Department's accounting system, processes requisitions, purchase orders, invoices, and general ledger transactions. It generates standard and special reports and interfaces with the Commonwealth's Accounting and Reporting System (CARS).

The Department's Office of General Services is the centralized purchasing unit and is responsible for the procurement of goods and services on behalf of the agency. Upon receipt of the goods and services, the Accounts Payable Unit approves invoices and releases voucher payments. Based on our procurement, contract, and voucher review, we concluded that the Department did not adhere to its established policies.

The Department's Division of Finance had inadequate supporting documentation or did not follow established policies for 6 out of 25 selected payment vouchers and five out of ten selected contracts. We found the following:

- A missing requisition from a payment voucher.
- A payment voucher had a missing receiving report and two others had incomplete receiving reports. In addition, the same individual both ordered and received the goods for a purchase.
- Two payment vouchers had missing or inadequate supporting information.
- The Department ordered goods from a vendor before preparing a purchase order.
- Two miscoded entries in FAAS.

Furthermore, the Department could not provide a copy of the contract administration letter for five out of ten selected contracts. Without proper identification of the contract administrator and applicable responsibilities, the Department may not be adequately monitoring contracts and could make payment for services outside the scope of the contract.

The Department should maintain adequate supporting documentation to accompany vouchers and adhere to all applicable regulations. The Department should use the receiving function on the FAAS system to avoid

missing receiving reports. The Department should also adhere to all contract and procurement guidelines including designating a contract administrator and maintaining a copy designation letter.

#### Improve Documentation of Certain Temporary Assistance to Needy Families (TANF)

Federal regulations require the Department to reduce or eliminate a recipient's benefits if the recipient fails to cooperate with the Division of Child Support Enforcement Agency (DCSE). In 2 out of 14 TANF cases tested, we found no documentation of benefits reductions because the custodial parent failed to cooperate with DCSE. In addition, for 1 of the 14 selected cases, the case file did not contain documentation showing that DCSE referred a non-cooperating case to the local social services office.

Federal regulations state that the Department may not reduce or terminate benefits if the recipient refuses to work because of a demonstrated inability to obtain necessary childcare for a child under the age of six. In four out of five TANF cases selected, the case file did not contain adequate documentation to show that the eligibility worker took good cause (unavailable childcare) into consideration before suspending a recipient's TANF benefits for refusing to work. The Department's TANF policies require that when a client does not comply with the VIEW requirements, the caseworker will send an "advanced notice of proposed action" to the client and retain it in the case file. This advanced notice of proposed action documents that the eligibility worker has considered good cause.

By not complying with federal regulations or providing adequate documentation of compliance, the Department may face federal financial penalties. Without adequate documentation, the Department cannot demonstrate it followed federal regulations. The Department should ensure that TANF case files contain adequate supporting documentation to show compliance with federal regulations.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

January 10, 2005

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Social Services** for the year ended June 30, 2004. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records in relation to the Statewide Single Audit, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Federal Grants	Expenses
Revenues	Federal Receivables

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but

not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Department's accounting records.

We noted certain matters involving internal control and its operation that we consider a material weakness and other reportable conditions. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial processes being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Other reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. The material weakness entitled Properly Manage and Maintain Access to Information Systems and other reportable conditions are described in the section titled "Internal Control Findings."

The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and are also described in the section titled "Internal Control Findings."

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

### EXIT CONFERENCE

We discussed this report with management at an exit conference held on January 28, 2005.

AUDITOR OF PUBLIC ACCOUNTS

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kva:

## **AUDITOR'S COMMENTS ON AGENCY RESPONSE**

Attached is the Agency response to our audit findings. After reviewing the response, we have provided the following comments on two of the findings.

### **Properly Manage and Maintain Access to Information Systems**

While the response to this finding does acknowledge the issue, we do not believe the suggested actions will correct the matters cited.

### **Properly Plan Systems Development Projects**

The Agency disagrees with our findings.



# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF SOCIAL SERVICES

February 4, 2004

Mr. Walter J. Kucharski  
Auditor of Public Accounts  
101 North 14<sup>th</sup> Street  
Richmond, Virginia 23219

Dear Mr. Kucharski:

The Department of Social Services' (DSS) response to the Auditor of Public Accounts audit report for fiscal year ended June 30, 2004 is enclosed and titled "Response to Auditor of Public Accounts Report for Fiscal Year Ended June 30, 2004."

Please contact me at (804) 726-7000 if you require additional information.

Sincerely,

A handwritten signature in black ink that reads "Maurice A. Jones".

Maurice A. Jones  
Commissioner

Enclosure

c: David A. Mitchell, Chief Financial Officer, DSS  
F. Richard Schreiber, Director, Audit Services, DSS  
S. Duke Storen, Director, Benefit Programs, DSS  
Harry R. Sutton, Director, Information Systems, DSS



**DEPARTMENT OF SOCIAL SERVICES  
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2004**

**Properly Manage and Maintain Access to Information Systems**

***Finding:*** The Department's oversight of local agencies and fragmented approach to systems development has created security access issues in two areas: (1) There are no centralized records of system access; and (2) The local agency system access policies are inadequate.

***Recommendation:*** The Department should develop a personal computer database of each employee's system access capabilities and use this database to review and verify access propriety. The Department should empower its security officers, particularly those in the local social services agencies, to take action in security situations.

***Response (provided by Harry R. Sutton, Director, Information Systems):*** System security is one of the Department's top priorities and is always, without exception, treated as such. While we agree that there is no consolidated record of system access by employee, there are records of employee access by system and these records are used to adjust system access when employees terminate or change responsibilities. In addition, the user access for every state and local employee is reviewed semiannually for propriety of access and level of access. The propriety of access authority is then certified in writing by the applicable security officer and every certification is accounted for by location. The Department uses open standard authentication for all web-developed applications and this provides the ability to see a user's access privileges across the various systems they access.

Although the Department has and will continue to consider the centralized personal computer database recommended by the auditor, we have significant concerns with timeliness and accuracy issues (i.e., access changes made in the field [by security officers in 150 locations for DSS' 13 systems] would not be recorded simultaneously in the database). The Department will explore other approaches as necessary to enhance our security in this area.

The conditions which allowed a part-time employee to create vendors and recipients and authorize payments was detected internally and corrected in October 2004. The auditor's statement that the absence of centralized access records by employee hindered the Department's ability to safeguard assets in the Food Stamp Disaster is misleading. The challenges in the Food Stamp Disaster were not attributable to the lack of centralized system access records but to USDA's relaxed policies for eligibility verification which was, in turn, aggravated by the nature and magnitude of the disaster.

The auditor's statement that "the Department does not receive notice when a local employee, P-14 or contract employee terminates, resigns or dies" is inaccurate. Although the Department does not, as the auditor indicates, receive this information from local agencies, it does receive, and act on, notifications for contract and P-14 employees. Regarding the ten terminated employees whose access was not terminated timely, the agency believes, and provided evidence to the auditors, that the access of these employees was fully eliminated within two days of termination in accordance with agency policy. Had these employees been leaving under undesirable circumstances, the access would have been terminated immediately.

**DEPARTMENT OF SOCIAL SERVICES  
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2004**

The Department acknowledges that improvements in local agency computer system access would be beneficial. As such, the *2005 Information Security Memorandum of Agreement* (between DSS and the local social service agencies) will be accompanied by a letter from the DSS Commissioner which emphasizes: (a) that the roles and responsibilities of the local security officers are critical to the overall security of DSS' Information Systems; (b) that security officers are responsible and accountable for promptly reporting security policy violations to the DSS security manager; and (c) that security officers have the authority to implement and act on security policies in their respective offices. The Department will also reinforce these issues in its mandated annual security officer training and recommend that the local CPAs review access terminations during the annual audits of the localities.

The Department would also point out that both the DSS Security Unit and Audit Services are involved in all system development activities at DSS to ensure inclusion of security, integrity and availability.

**Properly Plan Systems Development Projects**

***Finding:*** The Department has not linked its business plan and its information technology strategy to the Integrated Social Service Delivery System (ISSDS).

***Recommendation:*** The Department should complete and link its business and information technology strategy plans to ISSDS and involve applicable stakeholders.

***Response (provided by Harry R. Sutton, Director, Information Systems:*** The Department does not agree that there is no linkage between DSS' Strategic Business Plan, DSS' Information Technology (IT) Strategic Plan and the Integrated Social Service Delivery System (ISSDS). Although the reporting format used by the Virginia Information Technologies Agency (VITA) for IT Strategic Plans does not reflect linkages to agency-specific business plans, DSS' business and IT strategic processes for ISSDS are, in reality, strongly, actively and formally linked. In fact, Goal 3 of DSS' Strategic Business Plan requires us to "improve business productivity through effective automation." Not only is the Goal 3 Steering Committee jointly chaired by DSS and local agency management but ISSDS business direction is one of the priority goals of this committee. The committee meets monthly and continuously provides direction to DSS on the ISSDS project. Besides DSS and local agency personnel, the Goal 3 Steering Committee includes staff from VITA, the Department of Medical Assistance Services, the Virginia League of Social Services and the Virginia Community Action Partnership.

Contrary to the auditor's comments, the plan submitted to VITA did include and reflect consideration of the ongoing changes in the delivery of social service programs. Business Process Re-engineering (BPR), begun in early 2004 and also jointly chaired by state and local personnel, is a major ISSDS-related initiative which involves a comprehensive examination of all social services processes at both the state and local level. BPR is, in fact, the largest social services business review in the history of Virginia. Local agency staff is driving this effort and local agency needs have been the priority.

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The Department believes that the level of local agency involvement, as well as the active participation of other state and community entities, demonstrates a strong link between DSS' business and strategic plans and the ISSDS project and inclusion of a broad spectrum of stakeholders.

**Improve Voucher Documentation and Follow Department Policies and Procedures**

***Finding:*** Documentation for six of 25 payment vouchers and five of ten contracts tested was incomplete and/or inadequate. Letters designating the assignment of contract administrators could not be located for five of ten contracts tested.

***Recommendation:*** The Department should comply with documentation requirements.

***Response (provided by David A. Mitchell, Chief Financial Officer):*** Despite all efforts to the contrary, documentation (i.e., human) errors do occur in an environment where approximately 24,000 vouchers are processed annually. We do not, however, concur with the voucher error statistics cited by the auditor. For example, the allegedly missing requisition was not missing; it was in paper form; two receiving reports cited as incomplete contained all proper information for processing; and one unsupported voucher was attributable to vendor problems with the state procurement system (i.e., the one percent eVA fee). Valid errors were corrected during the audit to the extent possible. We believe our internal controls for processing payment vouchers are solid and adequate.

Regarding the unlocated contract administrator letters, we believe these letters were completed as required but were not retained. Effective July 2004, a copy of the letter sent to the assigned contract manager is maintained in the applicable contract file and in a centralized electronic file, both in the Office of General Services.

**Improve Documentation of Certain Temporary Assistance to Needy Families (TANF)**

***Finding:*** In two of 14 cases tested, there was no evidence that benefits had been reduced as a result of the custodial parent's failure to cooperate with the DSS Division of Child Support Enforcement (DCSE) and, in one case, there was no evidence that DCSE had referred a non-cooperating case to the local social services agency. Four of five cases tested did not contain documentation to show that good cause was considered before suspending benefits to a client who refused to work.

***Recommendation:*** TANF case files should contain proper and complete documentation.

***Response (provided by S. Duke Storen, Director, Benefit Programs):*** Although the Department questions the adequacy of the sample sizes in the auditor's tests, the following action will be/has been taken:

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- (1) To reduce errors in non-cooperation documentation, the Department will, by March 2005: (a) provide training to local agencies; and (b) incorporate the non-cooperating factor into our ongoing monitoring procedures. In July 2005, the Department will automate the notification of non-cooperation.
- (2) To improve documentation of good cause consideration, the Department took these steps in December 2004: (a) conducted training; (b) implemented a checklist requiring supervisory sign-off prior to sanction; and (c) established procedures requiring personal contact with the client before ceasing benefits. In addition, review of this process will become part of our ongoing monitoring procedures in March 2005.

We would point out that none of the cited errors violated federal regulations.

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DEPARTMENT OF SOCIAL SERVICES  
Richmond, Virginia

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